



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BY U.S. MAIL

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DEC 12 2013

Jesse Jackson, Jr.
Treasurer, Jesse Jackson, Jr. for Congress
c/o Brian Heberlig, Esq. and William Drake, Esq.
Steptoe & Johnson, LLP

Re: MUR 6766 (formerly Pre-MUR 554)
Jesse Jackson, Jr.
Jesse Jackson, Jr. for Congress and Jesse Jackson,
Jr. in his official capacity as treasurer

Dear Messrs. Heberlig, Drake, and Jackson:

In the normal course of carrying out its supervisory responsibilities, the Federal Election Commission received information suggesting that Mr. Jackson and his campaign committee, Jesse Jackson, Jr. for Congress, may have violated the Federal Election Campaign Act of 1971, as amended (the "Act"). On March 21, 2013, you were notified that the information was being reviewed by the Commission's Office of the General Counsel for possible enforcement action under 2 U.S.C. § 437g. On December 3, 2013, the Commission found reason to believe that Mr. Jackson and his committee violated 2 U.S.C. §§ 434(b), 439a, and 441b as well as Commission regulations by diverting committee funds for personal uses, accepting corporate contributions, and making false or misleading disclosures to the Commission. The Commission also found reason to believe that these violations were knowing and willful. I have enclosed the Factual and Legal Analysis that sets forth the basis for the Commission's determination.

Mr. Jackson and his committee may submit any factual or legal materials that they believe are relevant to the Commission's consideration of this matter. Please submit such materials to the General Counsel's Office within 15 days of receipt of this letter. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

Brian Heberlig, Esq.
William Drake, Esq.
Jesse Jackson, Jr., Treasurer, Jesse Jackson, Jr. for Congress
c/o Brian Heberlig, Esq. and William Drake, Esq.
MUR 6766
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If Mr. Jackson or his committee would be interested in pursuing pre-probable cause conciliation, they should so request in writing. *See* 1.1 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been mailed to the respondent.

Requests for extensions of time will not be granted routinely. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days.

If the Jackson committee intends to be represented by counsel in this matter, please advise the Commission by completing the enclosed Statement of Designation of Counsel form stating the name, address, and telephone number of its counsel and authorizing its counsel to receive any notifications and other communications from the Commission.

Please note that Mr. Jackson and his committee each have the legal obligation to preserve all documents, records and materials relating to this matter until such time as they are notified that the Commission has closed its file in this matter. *See* 18 U.S.C. § 1519.

If you have any questions, please contact Leonard Evans, the attorney handling this matter, at (202) 694-1650. In the meantime, this matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) unless Mr. Jackson and his committee notify the Commission in writing that they wish the matter to be made public.

On behalf of the Commission,



Ellen L. Weintraub
Chair

Enclosures:

Factual and Legal Analysis: Jesse Jackson, Jr. and Jesse Jackson, Jr. for Congress

cc: Jesse Jackson, Jr.
Treasurer, Jesse Jackson, Jr. for Congress
P.O. Box 490286
Chicago, IL 60649

1 **BEFORE THE FEDERAL ELECTION COMMISSION**

2 In the Matter of:)
3)

4 Jesse Jackson, Jr. and)
5 Jesse Jackson, Jr. for Congress and)
6 Jesse Jackson, Jr. in his official)
7 capacity as treasurer,)
8)

MUR 6766
(formerly Pre-MUR.554 and RR 13L-12)

9 *Respondents.*)
10)

11 **FACTUAL AND LEGAL ANALYSIS**¹

12 This matter concerns a scheme spanning seven years and involving more than 3,100
13 transactions that diverted approximately \$750,000 from Jesse Jackson, Jr. for Congress to pay
14 personal expenses of Congressman Jesse Jackson, Jr. and his wife, Chicago Alderman Sandra
15 Jackson. Over the years, Congressman Jackson's campaign committee paid for the Jacksons'
16 meals, groceries, designer clothing, travel, tickets, dry cleaning, home renovations, memorabilia,
17 and personal credit card bills. To prevent the Commission or the public from discovering or
18 questioning the scheme, Congressman Jackson and the treasurers of his campaign committee
19 filed materially false and misleading disclosure reports.

20 The available record — including the statement of facts supporting Congressman
21 Jackson's guilty plea in a criminal proceeding related to this scheme — provides substantial
22 evidence that, in carrying out and covering up this scheme, Congressman Jackson, his campaign
23 committee, and others violated multiple provisions of the Federal Election Campaign Act of
24 1971, as amended (the "Act"). The Commission therefore finds reason to believe that
25 Congressman Jackson and his campaign committee violated the Act as discussed below.

¹ This matter was initiated based on information the Commission received in the course of carrying out its supervisory responsibilities. See 2 U.S.C. § 437g(a)(1).

1 **I. FACTUAL SUMMARY**

2 In separate hearings on February 20, 2013, Congressman Jesse Jackson, Jr. and Sandra
3 Jackson entered guilty pleas to federal charges related to a \$750,000 personal-use scheme dating
4 back to 2005.² The Statement of Offense supporting Congressman Jackson's plea describes a
5 long-running scheme involving Congressman Jackson, his wife Sandra Jackson (referred to as
6 Co-Conspirator 1), former campaign treasurer Terri Jones (referred to as Person A), and former
7 campaign treasurer Vickie Pasley (referred to as Person B), among others, to divert funds from
8 Congressman Jackson's campaign committee, Jesse Jackson, Jr. for Congress, for his and Sandra
9 Jackson's personal use.³ Specifically, between approximately August 2005 and April 2012, the
10 Jacksons diverted approximately \$750,000 in campaign funds to pay for personal expenses.⁴
11 They obtained these funds through several means, including making direct expenditures from
12 campaign accounts, using campaign credit cards, and providing cash and campaign funds to
13 others so that they, in turn, could engage in transactions benefiting the Jacksons personally.⁵

² Congressman Jackson pleaded guilty to conspiracy to commit mail and wire fraud and making false statements. See Plea Agreement at 1, *United States v. Jesse Jackson, Jr.*, 1:13-CR-58 (D.D.C. Feb. 20, 2013) (Dkt. Entry No. 8). Sandra Jackson pleaded guilty to filing false tax returns for failing to report as income the funds the Jacksons diverted from the Jackson Committee for their own use and benefit. See Plea Agreement at 1, *United States v. Sandra Jackson*, 1:13-CR-59 (D.D.C. Feb. 20, 2013) (Dkt. Entry No. 12). On August 14, 2013, the district court sentenced Congressman Jackson to 30 months imprisonment and ordered forfeiture of a money judgment totaling \$750,000 and specifically enumerated property traceable to the scheme. See Judgment at 2, 6, *United States v. Jesse Jackson, Jr.*, 1:13-CR-58 (D.D.C. Aug. 19, 2013) (Dkt. Entry No. 56). On that same date, the district court sentenced Sandra Jackson to 12 months imprisonment and ordered her to pay restitution of \$20,000 to the Internal Revenue Service. See Judgment at 2, 5, *United States v. Sandra Jackson*, 1:13-CR-59 (D.D.C. Aug. 19, 2013) (Dkt. Entry No. 45).

³ Although the Statement of Offense refers to several individuals using pseudonyms, the identities of Sandra Jackson, Terri Jones, and Vickie Pasley are discernible from the references to their tenures at different times as treasurers to the Jackson Committee.

⁴ Statement of Offense ¶ 11.

⁵ *Id.*

1 They concealed this scheme by filing materially false and misleading disclosure reports
2 with the Commission.⁶ To do this, the Jacksons frequently directed Jones not to itemize personal
3 expenditures made on the campaign credit card.⁷ Other times, the Jacksons provided Jones with
4 false justifications for expenditures, causing her, in turn, to include that false information in the
5 campaign's disclosure reports.⁸ Filing the materially false and misleading disclosure reports,
6 "enabled the conspiracy to continue without detection for a lengthy period of time and without
7 the questions from regulators or the general public that likely would have ensued had truthful
8 and accurate reports and forms been filed."⁹

9 **A. Committee Credit Card Used to Pay Personal Expenses**

10 One method the Jacksons used to divert Jackson Committee funds for personal use was to
11 use the campaign committee's credit card to purchase a variety of personal goods and services,
12 including high-end electronics, furniture, memorabilia, designer clothing, travel, tickets, and
13 dinners.¹⁰ For example, on or about November 14, 2009, Sandra Jackson used the Committee's
14 credit card to purchase \$5,150 in fur capes and parkas from Edward Lowell Furrier, which
15 shipped them from Beverly Hills, California, to the Jacksons' home in Washington, D.C.¹¹ And
16 on or about November 27, 2008, Congressman Jackson charged \$5,687.75 to the Committee's

⁶ *Id.* ¶ 13.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.* ¶ 15.

¹⁰ *See id.* ¶¶ 21-22, 24.

¹¹ *Id.* ¶¶ 21-23.

1 credit card to pay Martha's Vineyard Holistic Retreat for a member of Sandra Jackson's family
2 to attend a five-day retreat.¹²

3 All told, between August 2005 and April 2012, the Jacksons used the Jackson
4 Committee's credit card to make approximately 3,100 personal purchases totaling approximately
5 \$582,772.58.¹³ Many of these transactions fall into the following general categories:¹⁴

Personal Expense Category	Amount
Restaurants, nightclubs, lounges	\$60,857.04
Airfare	\$31,700.79
Tobacco shops	\$17,163.36
Sports clubs and lounges	\$16,058.91
Dry cleaning	\$14,513.42
Grocery stores	\$8,046.44
Drug stores	\$6,095.15
Alcohol	\$5,814.43

6 The Jacksons were able to use the Jackson Committee credit card to make these purchases
7 because Congressman and Sandra Jackson each were identified as card members on the
8 account.¹⁵

¹² See *id.* ¶¶ 21-22.

¹³ See *id.* ¶ 25.

¹⁴ *Id.* ¶ 24.

¹⁵ *Id.* ¶ 20.

1 **B. Direct Expenditures of Jackson Committee Funds for Personal Expenses**

2 The Jacksons also made expenditures directly from the Jackson Committee's bank
3 account to purchase personal items and pay down personal credit card balances. Between July
4 2007 and July 2011, Congressman Jackson used this method to divert approximately \$57,793 in
5 Jackson Committee funds to his personal use:¹⁶

Expenditure Date	Amount	Personal Use
July 10, 2007	\$43,350	Purchase gold-plated Rolex watch
September 13, 2007	\$2,000	Pay down personal credit card balance
September 14, 2007	\$2,457.16	Pay down personal credit card balance
October 12, 2007	\$4,355.49	Pay down personal credit card balance
October 9, 2009	\$1,640.25	Pay down personal credit card balance
December 24, 2009	\$1,271.16	Pay down personal credit card balance
July 7, 2011	\$2,718.77	Pay down personal credit card balance

6 Congressman Jackson was able to make these direct expenditures because he personally opened
7 the bank account and was the only person with signatory authority on the account.¹⁷

8 **C. Funneled Committee Funds Through Others to Pay Personal Expenses**

9 Another means of diverting Jackson Committee funds involved funneling funds through
10 conduits who then carried out transactions benefiting the Jacksons. For example, in one such
11 transaction, on or about March 17, 2006, Congressman Jackson directed the Committee to issue
12 a \$36,000 check to Sandra Jackson's consulting business for billboard expenses.¹⁸ A week later,

¹⁶ See *id.* ¶¶ 16-19.

¹⁷ See *id.* ¶ 16.

¹⁸ See *id.* ¶ 26. In 2001, Congressman Jackson requested an Advisory Opinion concerning the application of the Act and Commission regulations to his plan to hire Sandra Jackson as consultant to the Committee. See AO

1 Sandra Jackson deposited the check into her business's account.¹⁹ And a week after that, she
2 transferred the \$36,000 proceeds to an account she and Congressman Jackson controlled even
3 though neither she nor Congressman Jackson had incurred expenses on behalf of the campaign
4 that would entitled them to this \$36,000 payment.²⁰ Nevertheless, they then used nearly all of
5 these funds to pay down personal debts.²¹

6 In another series of transactions, Terri Jones was the intermediary, using her personal
7 checking account as a pass-through to conduct transactions for the Jacksons' personal benefit
8 using Committee funds. From in or about October 2008 through in or about March 2012, the
9 Jackson Committee issued approximately \$76,150.39 in checks to Jones, even though she had
10 performed work for the Committee entitling her to only about \$11,409.²² She used nearly all of
11 the remainder, under Congressman Jackson's direction, for transactions to benefit the Jacksons
12 personally.²³

13 In at least four instances, she issued checks from the Committee account to her personal
14 account to provide sufficient funds for her to write personal checks to Congressman Jackson.²⁴

2001-10 (Jesse Jackson, Jr.) (July 17, 2011). The Commission explained that salary payments to family members are permissible "where they are payments for 'bona fide, campaign-related services'" and that such payments may not exceed fair market value for the service. *Id.* at 3 (quoting 11 C.F.R. § 113.1(g)(1)(i)(H)). Because the transactions here do not represent "bona fide, campaign-related services," that advisory opinion does not shield Jackson from "sanction provided by [the] Act." 2 U.S.C. § 437f(c)(2).

¹⁹ *Id.* ¶ 27.

²⁰ *Id.* ¶ 28.

²¹ *See id.* ¶¶ 28-29.

²² *Id.* ¶ 30.

²³ *Id.*

²⁴ *Id.* ¶ 32.

Committee Check Issued to Jones	Amount	Jones Personal Check Issued to Congressman Jackson	Amount
October 14, 2008	\$9,000 ²⁵	October 15, 2008	\$6,500 ²⁶
March 4, 2009	\$4,000	March 4, 2009	\$3,500
August 1, 2011	\$6,300	August 1, 2011	\$4,000
March 22, 2012	\$4,730.39 ²⁷	March 5, 2012	\$1,700

1 In six other instances, Jones received about \$16,400 in cash from Congressman Jackson²⁸
2 and about \$6,730 in checks from the Committee that she deposited into her personal checking
3 account to provide sufficient funds for her to write personal checks totaling about \$21,211 to pay
4 down the Jacksons' personal credit card debt:²⁹

²⁵ As the table shows, from this amount, Jones made a payment of \$6,500 to Congressman Jackson on October 15, 2008. The remainder was used to pay a contractor for work performed on the Jacksons' Washington, D.C., home. *See infra* p.8.

²⁶ Jones made this payment to Congressman Jackson in cash. The other payments were made by check. *See Statement of Offense* at n.3.

²⁷ The remainder was used for another transaction to personally benefit the Jacksons. *See infra* n.30.

²⁸ Congressman Jackson has claimed that this cash was given to him by family members. *Statement of Offense* ¶ 35.

²⁹ *Id.* ¶ 35.

Jones Deposit Date	Amount	Form	Jones Personal Check Issued to Pay Jacksons' Creditors	Amount
January 18, 2011	\$4,500	Cash	January 21, 2011	\$4,500
March 9, 2011	\$4,800	Cash	March 16, 2011	\$4,800
April 13, 2011	\$3,500	Cash	April 18, 2011	\$3,500
July 26, 2011	\$3,600	Cash	July 29, 2011	\$3,600
February 16, 2012	\$2,000	Check	February 18, 2012	\$2,000
March 22, 2012	\$4,730.39	Check	March 22, 2012	\$2,810.91 ³⁰

1 In numerous other instances between October 2008 and September 2011 Jones received
2 payments from the Committee totaling approximately \$30,750.³¹ She deposited these payments
3 into her personal account and then used the funds to issue approximately \$26,347 in personal
4 checks to multiple contractors who performed work on the Jacksons' Washington, D.C., home.³²
5 In each instance, Congressman Jackson instructed Jones to issue a Committee check to herself
6 and then to use the funds to pay the contractors.³³

7 Similarly, in 2011, at Congressman Jackson's direction, Jones received Committee funds
8 that she then used to pay the cost of two mounted elk heads from a taxidermist.³⁴

³⁰ See *supra* n.27.

³¹ Statement of Offense ¶ 36.

³² *Id.*

³³ *Id.*

³⁴ *Id.* ¶ 38.

Committee Check Issued to Jones	Amount	Jones Personal Check Issued to Taxidermist	Amount
March 14, 2011	\$3,005 ³⁵	March 14, 2011	\$3,000 ³⁶
March 29, 2011	\$3,500	April 1, 2011	\$3,000
April 21, 2011	\$1,500	April 21, 2011	\$1,053

1 Then, in August 2012, Sandra Jackson instructed Jones to sell the mounted elk heads.³⁷ Jones
2 arranged the transaction and, with Sandra Jackson's approval, sold the elk heads for \$5,300,
3 which was less than their original purchase price.³⁸ At Sandra Jackson's direction, the proceeds
4 of this sale then were wired to the Jacksons' personal account.³⁹

5 In another series of transactions, Person C, one of Congressman Jackson's staff members,
6 received \$3,700 in cash from Congressman Jackson on or about September 8, 2009.⁴⁰
7 Immediately after depositing this cash into Person C's checking account and at Congressman
8 Jackson's direction, Person C issued a check in the amount of \$2,000 to pay down the Jacksons'
9 personal credit card debt.⁴¹ About one month later, on or about October 13, 2009, Congressman
10 Jackson gave Person C \$4,500 in cash.⁴² After depositing this cash and at Congressman

³⁵ This amount was provided by Congressman Jackson to Jones in cash. *Id.* Congressman Jackson has claimed that this cash was given to him by family members. *Id.*

³⁶ This payment was made using a cashier's check instead of a personal check. Jones used the remaining \$5 to pay the cashier's-check fee. *Id.*

³⁷ *Id.* ¶ 46.

³⁸ *Id.*

³⁹ *Id.*

⁴⁰ Congressman Jackson has claimed that this cash was given to him by family members. *Id.* ¶ 47.

⁴¹ *Id.* ¶¶ 47-48.

⁴² Congressman Jackson has claimed that this cash was given to him by family members. *Id.* ¶ 49.

1 Jackson's direction, Person C used Person C's debit card to make two payments totaling \$5,500
2 to purchase a guitar used by Michael Jackson and Eddie Van Halen, which then was shipped to
3 Congressman Jackson's Congressional office.⁴³ Person C presumably kept the remaining \$700.
4 And in April 2010, Congressman Jackson gave Person C \$6,400 in cash, which Person C used to
5 obtain two \$3,200 cashier's checks made out to a private school in Chicago and listing the
6 purchaser as Sandra Jackson.⁴⁴

7 **D. Corporate Contributions Benefitted the Jacksons Personally**

8 The Jacksons also benefitted personally from payments made by other individuals. For
9 example, on or about April 15, 2011, Person F, the owner of an Alabama company, issued a
10 \$25,000 check from a corporate account controlled by Person F to pay down the Jacksons'
11 personal credit card debt.⁴⁵ Similarly, on or about May 5, 2009, Person E, the owner of an
12 Illinois consulting firm, issued a \$3,500 check from a corporate account controlled by Person E
13 to pay down the Jacksons' personal credit card debt.⁴⁶

14 **E. Other Contributions Benefitted the Jacksons Personally**

15 Person D received a total of \$15,000 in cash from Congressman Jackson between on or
16 about August 21, 2009, and September 3, 2009.⁴⁷ At Congressman Jackson's direction, Person
17 D then issued three checks between on or before August 26, 2009, and October 1, 2009, totaling

⁴³ *Id.* ¶¶ 51-52.

⁴⁴ *Id.* ¶ 53.

⁴⁵ Statement of Offense ¶ 57.

⁴⁶ *Id.* ¶ 55.

⁴⁷ Congressman Jackson has claimed that this cash was given to him by family members. *Id.* ¶ 54.

1 \$16,500, to pay down the Jacksons' personal credit card debt.⁴⁸ Person D thus made a net
2 payment of \$1,500 for Congressman Jackson's personal credit card debt.⁴⁹

3 **F. False Disclosures to Conceal the Scheme**

4 To enable and prolong the scheme, the Jacksons directed that materially false and
5 misleading disclosure reports be filed with the Commission between in or about August 2005
6 and in or about July 2012. To conceal the Jacksons' personal expenditures using the
7 Committee's credit card, the Jacksons directed Jones not to itemize personal expenditures made
8 on the campaign credit card.⁵⁰ Other times, the Jacksons provided Jones with false justifications
9 for expenditures, causing her, in turn, to include that false information in the campaign's
10 disclosure reports.⁵¹ Sandra Jackson, Jones, and Vickie Pasley then submitted disclosure reports
11 containing materially false and misleading statements.⁵² For example, on or about January 23,
12 2009, Pasley filed a disclosure report stating that the Committee spent \$387.04 on November 22,
13 2008, at Costco for "Food for Campaign Staff Holiday dinner."⁵³ In truth, however, Sandra
14 Jackson used this Committee funds to purchase bathrobes and other items for the Jacksons'
15 personal use.⁵⁴ Filing the materially false and misleading disclosure reports, "enabled the

⁴⁸ *Id.* ¶ 54.

⁴⁹ This net payment was made at Congressman Jackson's direction, and there is no information to suggest that it would have been made irrespective of Congressman Jackson's candidacy. Because paying a candidate's personal expenses constitutes a contribution unless the payment would have been made irrespective of the candidacy, 11 C.F.R. § 113.1(g)(6), Person D's \$1,500 payment is subject to the individual contribution limits. *See* Advisory Op. 2000-08 (Harvey) (gifts to candidates for personal use are subject to the Act's individual contribution limits).

⁵⁰ Statement of Offense ¶ 59.

⁵¹ *Id.*

⁵² *Id.*

⁵³ *Id.*

⁵⁴ *Id.*

1 conspiracy to continue without detection for a lengthy period of time and without the questions
2 from regulators or the general public that likely would have ensued had truthful and accurate
3 reports and forms been filed.”⁵⁵

4 **G. Notice and Response**

5 On March 21, 2013, the Office of General Counsel provided notice of this matter to
6 Congressman Jackson and the Jackson Committee. Through counsel, Congressman Jackson
7 declined to submit a response.⁵⁶ The Jackson Committee simply did not respond.

8 **H. RAD Referral 13L-12**

9 Separately, the Reports Analysis Division (“RAD”) referred the Jackson Committee to
10 the Office of General Counsel for disclosing a cash-on-hand discrepancy totaling \$59,379.19 in
11 the 2012 October Quarterly Report it filed with the Commission.⁵⁷ In that report, the Committee
12 disclosed a beginning cash-on-hand balance of \$187,246.32. But in the immediately preceding
13 report, the 2012 July Quarterly, the Committee disclosed a closing cash-on-hand balance of
14 \$246,625.51. Because these cash-on-hand figures did not match, on November 29, 2012, RAD
15 issued a Request for Additional Information to the Jackson Committee, but the Committee did
16 not provide a substantive response.⁵⁸ Nor did it respond after receiving notice of the referral. It

⁵⁵ *Id.* ¶ 15.

⁵⁶ *See* J. Jackson Resp. (Apr. 11, 2013).

⁵⁷ *See* Mem. from Patricia Orrick, Chief Compliance Officer, FEC, to Anthony Herman, Gen. Counsel, FEC (May 10, 2013).

⁵⁸ *See id.*, Attach. 1. RAD made several attempts to contact the Committee. It spoke with then-treasurer Pasley on January 15, 2013, who stated that she was unaware of the Request for Additional Information. RAD provided her with a copy, but she never provided a response.

1 has not otherwise explained why the October Quarterly beginning cash-on-hand balance is
2 \$59,379.19 less than the closing balance from the preceding report.

3 **III. LEGAL ANALYSIS**

4 Congressman Jackson has admitted that he and others participated in a plan to divert
5 Jackson Committee funds for the Jacksons' personal use and benefit. Using a variety of
6 methods, the Jacksons ultimately diverted approximately \$750,000 in Committee funds to pay
7 for a variety of personal goods and services. Congressman Jackson and the Jackson Committee,
8 among others, concealed this scheme by filing materially false and misleading disclosures. In
9 light of this and the other available information, the Commission makes the following reason-to-
10 believe findings.⁵⁹

11 **A. There Is Reason to Believe Congressman Jackson and the Jackson**
12 **Committee Diverted Committee Funds for the Jacksons' Personal Use**

13 Candidates and their committees have wide discretion in making expenditures to
14 influence the candidate's election, but the Act and Commission regulations prohibit any person
15 from converting contributions or donations to personal use.⁶⁰ "Personal use" refers to "any use
16 of funds in a campaign account of a present or former candidate to fulfill a commitment,
17 obligation or expense of any person that would exist irrespective of the candidate's campaign or
18 duties as a Federal officeholder."⁶¹ Whether certain uses of committee funds — such as legal,
19 meal, travel, or certain vehicles expenses — are personal use depends on the case-specific facts

⁵⁹ See Statement of Policy Regarding Commission Action in Matters at the Initial Stage in the Enforcement Process, 72 Fed. Reg. 12,545 (Mar. 16, 2007) ("RTB Policy") ("The Commission will find 'reason to believe' in cases where the available evidence in the matter is at least sufficient to warrant conducting an investigation, and where the seriousness of the alleged violation warrants either further investigation or immediate conciliation.").

⁶⁰ 2 U.S.C. § 439a(b); 11 C.F.R. § 113.1(g).

⁶¹ 11 C.F.R. § 113.1(g).

1 and circumstances.⁶² In such cases, “If the candidate can reasonably show that the expenses at
2 issue resulted from campaign or officeholder activities, the Commission will not consider the use
3 to be personal use.”⁶³ Other uses of committee funds, however, are personal use *per se* — for
4 example, tuition payments, household food items, health club dues, clothing purchases, and
5 home mortgage, rent, or utilities payments.⁶⁴

6 Here, Congressman Jackson’s admissions leave no doubt that, through a variety of
7 means, the Jacksons used Committee funds for all manner of personal uses — including many
8 *per se* personal uses — over an extended period of time. Between August 2005 and April 2012,
9 the Jacksons used the Jackson Committee credit card to make approximately 3,100 personal
10 purchases — including meals and entertainment, travel, and household items — totaling
11 approximately \$582,773. Between July 2007 and July 2011, Congressman Jackson made direct
12 expenditures of \$57,793 in Committee funds to purchase a Rolex watch and pay down his
13 personal credit card debt. And between 2006 and 2012, the Jacksons, with Jones participating as
14 an intermediary, diverted Committee funds and otherwise disguised transactions involving
15 approximately \$100,741 used to pay down personal credit card debt, pay for home renovations,
16 and purchase elk heads. All of these uses involved funds diverted from the Jackson Committee
17 that benefitted the Jacksons personally.⁶⁵ The Commission therefore finds reason to believe that

⁶² *Id.* § 113.1(g)(1)(ii).

⁶³ See Final Rule and Explanation and Justification, Personal Use of Campaign Funds, 60 Fed. Reg. 7,862, 7,867 (Feb. 9, 1995) (“Personal Use E&J”).

⁶⁴ 2 U.S.C. § 439a(b)(2); 11 C.F.R. § 113.1(g)(1)(i).

⁶⁵ See, e.g., MUR 5895 (Meeks for Congress) (2008) (finding candidate and committee violated Act by, *inter alia*, using committee funds to pay down personal credit card debt, pay for personal trainer, and pay vehicle expenses).

1 Congressman Jackson and the Jackson Committee violated the Act and Commission regulations
2 by diverting Jackson Committee funds for the Jacksons' personal use and benefit.⁶⁶

3 **B. There Is Reason to Believe That Congressman Jackson and the Jackson**
4 **Committee Accepted Prohibited Corporate Contributions Made by Person**
5 **E, Person F, and Their Corporations**

6 The Act prohibits corporations from making contributions to candidates or their
7 committees in connection with federal elections.⁶⁷ It also prohibits corporate officers from
8 consenting to, and candidates from knowingly accepting, corporate contributions.⁶⁸ Thus,
9 corporations may not make direct or indirect payments or gifts or provide "anything of value,"
10 including "in-kind contributions" to federal candidates.⁶⁹ For example, a corporation may not
11 pay for a candidate's personal expenses because doing so would be considered a contribution
12 unless the payment would have been made irrespective of the candidacy.⁷⁰

13 Here, Person E issued a \$3,500 check drawn on Person E's Corporation's account to pay
14 down the Jacksons' personal credit card debt. On another occasion, Person F issued a \$25,000
15 check drawn on Person F's Corporation's account for the same purpose. These payments were
16 made at Congressman Jackson's direction and there is no information to suggest that either of
17 these payments would have been made irrespective of Congressman Jackson's candidacy.⁷¹ Nor

⁶⁶ 2 U.S.C. § 439a; 11 C.F.R. § 113.1(g).

⁶⁷ 2 U.S.C. § 441b(a).

⁶⁸ *Id.*

⁶⁹ 2 U.S.C. § 441b(b)(2); 11 C.F.R. §§ 100.52(d)(1), 114.1(a)(1).

⁷⁰ 11 C.F.R. § 113.1(g)(6).

⁷¹ *Cf.* AO 2000-08 (Harvey) (gifts to candidates for personal use are contributions subject to the Act's limits and prohibitions).

1 is there information suggesting that these payments were *bona fide* employment compensation.⁷²
2 The Commission therefore finds reason to believe that Congressman Jackson and the Jackson
3 Committee violated the Act by knowingly accepting prohibited corporate contributions made by
4 Person E's Corporation and Person F's Corporation.⁷³

5 **C. There Is Reason to Believe That the Jackson Committee Failed to Disclose**
6 **Contributions and Expenditures**

7 Candidates' authorized committees are required to disclose all the contributions they
8 receive, including in-kind contributions, and disbursements they make.⁷⁴ The Act also requires
9 committees to disclose itemized breakdowns of receipts and disbursements, including the name
10 and address of each person who has made any contributions or received any disbursements in an
11 aggregate amount or value greater than \$200 within the calendar year, together with the date and
12 amount of any such contribution or disbursement.⁷⁵ When a committee receives an in-kind
13 contribution, it is treated as an expenditure by the committee benefiting from it, which requires
14 the committee to disclose it as a disbursement as well as a contribution.⁷⁶

15 Here, Congressman Jackson has admitted that the Committee filed materially false and
16 misleading disclosure reports with the Commission.⁷⁷ Indeed, he has admitted that filing
17 materially false and misleading reports enabled his personal-use scheme "to continue without

⁷² See 11 C.F.R. § 113.1(g)(6)(iii).

⁷³ 2 U.S.C. § 441b(a).

⁷⁴ 2 U.S.C. § 434(b); 11 C.F.R. §§ 104.3, 104.13(a)(1).

⁷⁵ See 2 U.S.C. § 434(b)(2)-(6); 11 C.F.R. § 104.3(a)(3)-(4), (b)(2), (b)(4).

⁷⁶ 11 C.F.R. § 104.13(a)(2).

⁷⁷ Statement of Offense ¶ 59.

1 detection for a lengthy period of time and without the questions from regulators or the general
2 public that likely would have ensued had truthful and accurate reports and forms been filed.”⁷⁸

3 In addition, RAD’s referral of the Committee’s cash-on-hand discrepancy discloses
4 further apparent violations of the Committee’s reporting obligations. The Committee’s
5 disclosure of a beginning cash-on-hand balance that was \$59,379.19 lower than the closing cash-
6 on-hand balance listed in its immediately preceding report indicates that the Committee did not
7 accurately disclose its receipts and/or its disbursements. The Commission therefore finds reason
8 to believe that the Committee violated the Act and Commission regulations by failing to
9 accurately report all contributions, receipts and disbursements.⁷⁹

10 **D. Congressman Jackson’s and the Jackson Committee’s Misconduct Was**
11 **Knowing and Willful**

12 A violation of the Act is knowing and willful if the “acts were committed with full
13 knowledge of all the relevant facts and a recognition that the action is prohibited by law.”⁸⁰
14 Knowledge and willfulness may be shown by direct or circumstantial evidence that a respondent
15 “acted voluntarily and was aware that his conduct was unlawful.”⁸¹ For example, a respondent’s
16 voluntary participation in a scheme to disguise or conceal the recipients and purposes of
17 disbursements, as well as the sources of contributions, indicates that the misconduct was
18 knowing and willful.⁸² As the Fifth Circuit noted in *Hopkins*, “It has long been recognized that

⁷⁸ *Id.* ¶ 15.

⁷⁹ 2 U.S.C. § 434(b); 11 C.F.R. § 104.3.

⁸⁰ 122 Cong. Rec. 12,197, 12,199 (May 3, 1976).

⁸¹ *United States v. Danielczyk*, 917 F. Supp. 2d 573, 579 (E.D. Va. 2013) (citations omitted).

⁸² *Cf. United States v. Hopkins*, 916 F.2d 207, 214-15 (5th Cir. 1990). *Hopkins* involved a conduit contributions scheme, and the issue before the Fifth Circuit concerned the sufficiency of the evidence supporting the

1 'efforts at concealment [may] be reasonably explainable only in terms of motivation to evade'
2 lawful obligations."⁸³

3 Here, Congressman Jackson and the Jackson Committee used a variety of means and
4 involved others to conceal the scheme to divert Committee funds to the Jacksons' personal use
5 and benefit. For example, they used Jones as a pass-through to disguise the true recipients and
6 purposes of Committee disbursements. They also directed Jones and Pasley to prepare and file
7 materially false and misleading disclosure reports to "enable[] the conspiracy to continue without
8 detection for a lengthy period of time."⁸⁴ This demonstrates that Congressman Jackson and the
9 Jackson Committee well knew their conduct was unauthorized and illegal. The Commission
10 therefore finds reason to believe that Congressman Jackson's and the Jackson Committee's
11 violations of the Act and Commission regulations were knowing and willful.

12 III. CONCLUSION

13 For the reasons discussed above, the available information — and in particular the factual
14 basis supporting Congressman Jackson's guilty plea — credibly sets forth facts supporting a
15 reason to believe that Congressman Jackson and the Jackson Committee participated in multiple
16 significant violations of the Act and Commission regulations.

defendants' convictions for conspiracy and false statements under 18 U.S.C. §§ 371 and 1001.

⁸³ *Id.* at 214. (quoting *Ingram v. United States*, 360 U.S. 672, 679 (1959)).

⁸⁴ Statement of Offense ¶ 15.